

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Brulte and Peace Analyst: Roger Lackey Bill Number: SB 17X

Related Bills: See Prior Analysis Telephone: 845-3627 Amended Date: 03-27-2001

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Solar Energy Credit

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

X REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED
March 12, 2001. STILL APPLIES.

OTHER - See comments below.

SUMMARY

This bill would allow a credit for the purchase and installation of a solar energy system.

SUMMARY OF AMENDMENT

The March 27, 2001, amendments deleted the language regarding eligibility of revenue quality meters. Consequently, the department's previous implementation and technical concerns regarding revenue quality meters no longer apply. The remaining implementation concerns are restated below.

Except for the discussion in this analysis, the department's analysis of the bill as amended March 12, 2001, still applies.

IMPLEMENTATION CONCERNS

The bill does not require the solar energy system to be actually used after installation and does not provide a minimum amount of kilowatt hours that must be generated per month.

The terms "photovoltaic" and "wind-driven" are not defined.

The bill does not require the solar energy system to be installed on property owned or leased by the taxpayer.

Board Position:

_____ S	_____ NA	_____ NP
_____ SA	_____ O	_____ NAR
_____ N	_____ OUA	_____ X PENDING

Legislative Director

Date

Brian Putler

04/02/01

A large number of taxpayers lease certain items of property rather than purchase them. As drafted, the bill would not apply to a taxpayer that leases, under a true or operating lease, a "solar energy system" for use in this state. However, the bill does not prevent the taxpayer that purchases a solar energy system and leases it to another taxpayer in this state from claiming the credit, even if the lessee is essentially paying for the solar energy system.

Property developers may, as an incentive for buyers, install "solar energy systems" on property they develop. It is unclear whether developers would be allowed to claim the credit for these systems or if the developers could elect to pass the credit to buyers of the property.

Generally, credits require taxpayers to recapture the credit amount by adding the amount of the credit back to their tax liability if the item that qualified for the credit is subsequently sold or removed from the state within a specific amount of time after the purchase date. This bill requires no such recapture of the credit.

This bill would require the credit to be reduced by the amount of any other local government, local publicly owned utility, or state or federal sponsored financial incentives received for the solar energy system. However, the phrase "any other local government, local publicly owned utility, or state- or federal-sponsored incentives" is not clearly defined. Consequently, this provision might be difficult to administer.

The bill requires otherwise allowable costs to be reduced by the "value" of these incentives. "Value" is not defined. Undefined terms and concepts lead to disputes with taxpayers and complicate implementation and administration of the credit.

The amount of the credit may not exceed the applicable percentage of amounts paid to purchase and install a solar energy system. The amount of the credit is also equal to \$2.50 per rate watt of generating capacity. The author's staff has indicated the intent is to allow a credit in an amount equal to the applicable percentage of net purchase and installation costs, up to a maximum credit amount for a solar energy system of \$2.50 per watt of generating capacity of that solar energy system. Amendments would be needed to clearly reflect this intent.

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